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DE RUEHSN #0041/01 0101907
ZNY CCCCC ZZH
P 101907Z JAN 07
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 4822
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEHHE/AMEMBASSY HELSINKI PRIORITY 0298
RUEHMD/AMEMBASSY MADRID PRIORITY 3602
RUEHME/AMEMBASSY MEXICO PRIORITY 6406
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L SAN SALVADOR 000041

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E.O. 12958: DECL: 01/10/2017
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SUBJECT: THE CENTRAL AMERICAN INTEGRATION SYSTEM

REF: A. 06 SAN JOSE 2806

[1](#)B. 06 HELSINKI 1236

Classified By: DCM Michael A. Butler. Reasons 1.4 (b) and (d)

[1](#)1. (C) SUMMARY. Although established in 1992, the Central American Integration System (SICA) remains an incipient attempt by the countries of Central America to achieve regional integration and cooperation. The organization includes the member nations of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The Dominican Republic is an associate member, and Mexico, Spain, and Taiwan are observers. To date the USG has had limited engagement with SICA as a political entity. USAID has, however, worked extensively with two of the 20 plus subsidiary organizations for nearly a decade, and beginning in 2005 all USAID funding for subsidiary organizations is being provided through agreements signed with SICA. The most recent agreement (800,000 USD to support Central American efforts to combat gangs and violence through preventative actions) received prominent mention in the October Central American Summit of Presidents held in Tegucigalpa. The EU has already made clear that it will negotiate and implement all aid and trade deals for Central America on a regional basis only, and thus SICA may become more important as the Europeans use their leverage to encourage increased integration in Central America. SICA and its subsidiary organizations could provide a path for the U.S. to engage and influence on items in our interest as well. The USG could invest significantly in strengthening the organization by becoming an observer, or could help influence it by asking the friendliest governments in the region like El Salvador to guide the organization in a helpful direction. END SUMMARY.

Background

[1](#)2. (U) SICA was established with the signing of the Tegucigalpa Accords on December 13, 1992. The Protocol built on the already existing Organization of Central American States, and envisioned Central America as a region of peace, liberty, democracy, and development. The primary institutions of SICA include: the Central American Parliament (PARLACEN) which is located in Guatemala and consists of 130 representatives who are given diplomatic privileges and immunities; the Central American Court of Justice located in Managua; and the Secretariat General of SICA (SG-SICA) in San Salvador. Two of the nearly 20 subsidiary organizations of SG-SICA deserve special note--SIECA and CCAD (regional organizations of Ministers of Trade and the Environment

respectively). SICA's highest body is its Summit of Presidents, and any agreement on fundamental changes or direction for the organization must be agreed upon directly by the Heads of State of the various members. SICA hosts quarterly meetings of the Central American Presidents, Vice Presidents, and Foreign Ministers. Periodic meetings of Ministers of Labor, Agriculture, Environment, Public Security, and other sectors are also convened by the SICA subsidiary organizations.

Rule of Law and Political Integration

¶3. (C) SICA and the subsidiary organizations of SG-SICA (comparable in structure although not in authority to the European Commission) have many of the bearings of a serious regional organization. Its ideals are sound, it has regular institutions, and its high-level meetings are noteworthy and often productive for dialogue among the leaders in the region. Yet while the Summit of Presidents contemplates "defining and directing Central American politics, harmonizing foreign policies, and strengthening regional identity," the organizations' achievements toward integration to date are modest at best. (Note: The current Secretary General of SICA is Honduran lawyer and career diplomat Anibal Enrique Quinonez Abarca, a relative unknown in the power structures of Central American politics. End Note). Some success has come in the area of rule of law, however. The Democratic Security Treaty of Central America gives the SICA members a solid framework for improving rule of law and the administration of justice, and gives the members a framework for cooperation on security matters. Chapter Two of this Treaty has specific interest for the USG as it addresses issues like combating terrorism, human trafficking and the narcotics trade. Chapter Three is also important because it addresses regional security and mandates that the states share certain information on a military to military level. This document is one of the most important efforts at political integration and coordination the group has made since its founding.

¶4. (C) Concerning the administration of justice, the Central American Court of Justice can play a decisive role in solving disputes, and provide a forum for the redress of wrongs committed by certain corrupt politicians or others that may be shielded in their home countries. PARLACEN, however, has achieved little during its existence and is seen by many citizens of the region as simply a vehicle for providing out of work politicians with a salary and diplomatic immunity that protects them from prosecution throughout the region. (Note: One PARLACEN representative from El Salvador recently had his immunity removed by the Legislative Assembly for egregious acts of corruption while previously serving as a mayor. End Note).

¶5. (C) In a recent conversation, Jorge Alberto Umana (Head of Central American Integration Issues at the Salvadoran MFA) told poloff that the GOES is most optimistic about the possibilities for success in regional cooperation on the issue of security. While not downplaying the importance of economic integration and successes in that area to date, Umana stressed that the GOES would be particularly interested in more regional engagement on security. USAID has invested USD 800,000 to support the effort to stop gang violence, but a major political strategy to address the problem has not been brokered at a regional level. While gang violence is of greater concern in the "Northern Triangle" of Central America (El Salvador, Honduras, Guatemala), there is increasing recognition by the governments of the region and Mexico that a regional approach will be necessary to fight this transnational problem.

Economic Integration

¶6. (U) Economic integration in Central America continues to deepen as the region reaps the benefits of CAFTA and takes advantage of arrangements such as the new customs and border

agreements between Guatemala, Honduras, El Salvador and Nicaragua (CA-4), which allows for the freer flow of goods and people in the northern half of Central America. The Economic Integration Secretariat for Central America (SIECA), a SICA subsidiary, has become the key regional body promoting economic integration among Central American countries. One of its most notable achievements has been the reduction and harmonization of external tariff rates across the region. To date, 97 percent of external tariff rates have been harmonized; the remaining 3 percent are for sensitive goods such as dairy, coffee, sugar, rice, and a number of industrial goods. SIECA has also worked with customs authorities to modernize their operations and reduce the time and cost of trading across Central American borders. Ministers of Economy of the region meet at least quarterly through SIECA, and other technical sub-committees work to implement regional agreements on a variety of topics important to regional commerce. There has been some progress on labeling issues; however, much work remains in developing a common market on other issues such as intellectual property rights, quota management, sanitary and phytosanitary standards, and technical standards. During CAFTA-DR negotiations, SIECA played a role coordinating common positions and providing technical expertise to member governments.

17. (U) The Central American Commission for the Environment and Development (CCAD, the environmental equivalent of SIECA) is currently playing a useful role in CAFTA-DR implementation. Chapter 17 of CAFTA-DR requires signatory countries to effectively enforce their environmental standards, and CCAD has been the major source of technical expertise when Ministries of Environment face challenges in meeting this commitment. Again, CCAD has no supra-national authority, but by convening Ministers of Environment across the region, the organization is able to point out areas where particular countries face the risk of not complying with CAFTA-DR, and thus serves as an effective, if informal, "peer review" process. We understand that CCAD forums frequently serve as the venue for discussion and agreement on Central American positions on votes in international organizations such as CITES (Convention on Trade in endangered Species).

The European Angle

18. (C) Reftels A and B give some background on current European desires to manage the vast majority of their business with the Central Americans on a regional basis. The example in refotel B of how the Finnish are managing the investment of 7 million euros to support renewable energy projects in Central America is a perfect example of how the Europeans envision their engagement with the region. The other major issue is the EU demand that new trade negotiations between the EU and Central American be conducted at a strictly regional level, with one sole Central American interlocutor and spokesman for the national negotiating teams. The Central Americans have agreed to rotate this spokesman between the countries, but are unsure if the EU will accept the plan (refotel A). It is unclear how successful the European efforts to encourage regional integration modeled on their own institutions will be. What is clear is that the Europeans will continue pressing the issue, and the Central Americans will at least try to comply with their wishes. The Government of Spain just announced it will donate 26 million USD for the members of SICA to pursue increased integration. Costa Rica also announced at the last summit that an Executive Council should be re-activated to monitor the success of implementing Presidential mandates agreed upon at the summits.

Comment

19. (C) As the Department considers options for sustaining progress on free trade and democratic consolidation, the SICA network of organizations clearly offers additional venues for engaging senior officials from all Central American

countries. The USG could take the step of becoming an observer, like Mexico and Spain, and use this formal route as a method to influence the agenda and monitor the work of the organization at all levels. Another option is for the USG to continue to engage our most reliable interlocutors and allies in the region to help press issues of USG interest at their high level meetings. Sustaining the modest levels of support for the Secretariat, and in particular SIECA and CCAD, also enables us to engage in ministerial and technical-level fora on a range of trade and economic policy issues. As the Europeans continue to obligate Central American governments to negotiate as a regional group, the Central Americans may be forced to give SICA a more important role in issues of political and economic import. Post remains ready to help in coordinating with SICA as the Department sees fit.

Barclay